

**Needham Finance Committee  
Minutes of Meeting of January 14, 2015**

The meeting of the Finance Committee was called to order by the Chair, John Connelly, at approximately 7:30 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair

Members: Richard Creem, James Flinton, Richard Reilly, Lisa Zappala, Rick Zimbone

Others present:

David Davison, Assistant Town Manager/Finance Director

David Tobin, Town Counsel

Theodora K. Eaton, Town Clerk

Stephen Popper, P.E., Director of Design and Construction

Henry Haff, Public Facilities Department, Owner's Project Manager

Charles Laffey, Director of Facilities Operations

Stephanie Maloney, Administrative Analyst, Public Facilities

William Stockwell, Fleet Supervisor, DPW

Carys Lustig, Supervisor of Administration

Evelyn M. Pones, Town Collector/Treasurer

Chip Davis, Administrative Assessor

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

Tatiana Swanson, Finance and Procurement Coordinator

**Citizen Requests**

No citizens requested to address the Committee.

**Approval of Minutes of Prior Meetings**

MOVED: By Ms. Reilly that the minutes of January 7, 2014 be approved as most recently distributed. Mr. Flinton seconded the motion. The motion was approved by a vote of 6-0-1. (Ms. Miller abstained, since she was unable access the final document.)

**FY2016 Departmental Spending Requests:**

**Town Clerk**

Ms. Miller stated that the budget is decreasing because there will be one less election next year than last year or this year. She stated that there is the same number of employees, and that ITWA workers will be reclassified. She stated that fee revenue is not within the control of the Town Clerk. Ms. Eaton stated that many fees are set by the state or the Board of Selectmen, but that she sets certain fees, and that she seeks approval from the Board of Selectmen in those cases. Ms. Miller stated that the dog license fees were recently increased, so the revenue is increasing, and that \$30,000 of the revenue will offset the expenses of the dog park. She stated that the

liquor license data has fluctuated. Ms. Eaton stated that one year, many licensees did not pay fees until August, so the revenue showed up in a different fiscal year. Ms. Eaton stated that she hopes to get new election equipment in place by the Town election. It has been funded, but she was not satisfied with bids last spring and recalled the proposal. She met with finalists from the next bid round, and will be opening the bids tomorrow. Mr. Connelly asked if the reduced cost for fewer elections is reflected in the temporary salary line. MS. Eaton stated that it was, and that the payroll cost per election is approximately \$11,000. She stated that her department has gotten the online dog licensing up and running. She stated that her department now issues burial permits. She stated that they took that task over from the health department since the Town Clerk's office issues death certificates.

## **Town Counsel**

Mr. Reilly stated that the budget has two parts: Salary and Wages, essentially a retainer, and Professional and Technical Services which covers all extraordinary legal costs. Mr. Reilly provided a handout showing the FY13 and FY14 actual legal expenditures broken down by municipal department. He stated that total costs were \$216K in FY13 and \$153K in FY14. The outside counsel costs were \$150K in FY13 and \$111K in FY14. Mr. Reilly stated that there is no clear pattern of costs among the town departments. Mr. Tobin stated that the big driver of additional costs for the Planning Department in FY13 was the lawsuit over the subdivision. Mr. Reilly noted that there were no big drivers of legal costs in FY14.

Mr. Davison stated that outside counsel has been hired when there is a case that requires specialization, including 40B projects, cable TV licensing and contracting, DEP water withdrawal, labor and collective bargaining issues, the MDL environmental issues at Hillside, the solar project, and tax increment financing. He noted that hiring of outside counsel is exempt from procurement laws.

Mr. Reilly stated that the legal budget for FY16 is relatively flat, and that one of the biggest drivers of legal expenditures is the need to respond to issues, making it difficult to plan. He stated that there is nothing on the horizon expected to increase legal costs significantly. Mr. Tobin stated that there is a case in housing appeals that may wrap up. If it goes further, there will be additional expenses. Mr. Davison stated that the legal costs are lower this year than at this time last year. No funds from reserves were needed in FY14, so he is not currently expecting any need for a reserve fund transfer for the legal department this year. Ms. Miller asked what work for Town Hall meant. Mr. Tobin stated that it is hours that he works out of Town Hall, and is available for questions. He stated that each month, he creates a bill for the work done for the Town, then gives credit for salary received.

## **Fleet Replacement**

Ms. Miller stated that the previous fleet replacement schedule was developed in the late 1990s. The Town has been following to a rigid schedule, which has led to an untenable number of vehicles and a budget that was too large. Also, the Town has also fallen behind in the replacement schedule. In the new process, each vehicle is looked at each year to determine when replacement is needed and whether the equipment meets the needs of the department. The result should be to allow some vehicles to be kept on longer and to ensure departments have the appropriate equipment. Ms. Miller stated that for FY16, approximately 2/3 of the vehicles

recommended under the original schedule will be recommended for replacement. The others will be removed from the schedule or reexamined to determine what the vehicle is used for, and what type of vehicle is needed. She stated that Mr. Stockwell is being creative to make better use of vehicles. Mr. Reilly asked whether heavier vehicles are replaced at lower mileage, and whether there was a rule of thumb. Mr. Stockwell stated that heavier equipment generally lasts longer. He stated that the running hours on an engine are more important when considering replacement than miles. Ms. Miller stated that there are sensors in vehicles to track mileage and hours run. Mr. Davison stated that the IT budget within the Finance Department includes funding for software to retrieve that data from the vehicles.

Ms. Miller stated that there will be some saving where vehicles are not being replaced. She stated that there is an effort to standardize equipment where possible in order to make it easier to maintain and have parts available. Mr. Davison stated that one important change this year is that the fleet capital has been centralized into one budget submission. The Town looks at industry standards to determine when a vehicle is expected to be replaced. Mr. Stockwell will also be looking at vehicle fluids to help determine vehicle condition. If there is still usable life, the Town could get more use out of vehicles. Vehicles being disposed of will be auctioned or traded in. Mr. Davison stated that some vehicles that have proved unreliable may be sped up on the replacement schedule. Mr. Stockwell stated that use of vehicle is important. Vehicles that are not used often tend to breakdown and need more maintenance.

Mr. Reilly asked if the vehicles are purchased through statewide contracts. Mr. Davison stated that the Town needs to get bids, but usually uses the state contract or the regional purchasing group which have predetermined prices. Mr. Davison stated that in the budget, he has used the current state contract prices, and inflated them according to the planned replacement year. He stated that the capital plan calls for \$1,077,249 from FY16 general fund cash capital and \$41,604 from the FY16 water enterprise fund cash capital for the fleet replacement program.

### **Finance Department – Technology**

Mr. Davison stated that there are four items in the technology capital request, two of which would be used by the DPW. The fuel software and hardware upgrade will allow the Town to have more automated control of fuel and will allow the Town to better track usage (Capital Improvement Plan p. 5-43.) Mr. MacDonald stated that currently they need to download and transfer data to one location, and this will make data accessible from many places. Ms. Lustig stated that new hardware will be needed at the station. Mr. Reilly asked the benefit that would be derived from spending \$94,500 for this technology. Ms. Lustig stated that in addition to fuel information, there will be more diagnostic information to help know when maintenance is needed on the vehicle. She stated that manual key entry will not be needed, so there is less room for human error. Mr. Reilly asked if the vehicles would have longer lives and be in better condition or any other kind of savings. Mr. Davison stated that there is a regulatory benefit because gas tanks need to be monitored to ensure to the DEP that there is no leakage. He stated that the program will also allow the Town to monitor how the vehicles are being used, to make sure that the vehicles are being used for their proper purpose and at appropriate speeds which should help with insurance costs. Ms. Zappala stated that the software provider should have data on payback time for the software and how to measure the savings. She stated that they should be able to estimate the savings based on a fleet of similar size. Ms. Lustig stated that she could look into this. Mr. Davison stated that they will review this in the procurement process. He stated

that they have been looking at the ease and intuitiveness of the software, and the software maintenance and licensing fees. Mr. Stockwell stated that there could be some savings from theft, since the pumps will only allow fueling of specific vehicles.

Mr. Davison stated that there is a request for mobile record-keeping devices and GIS software to allow data access townwide (CIP p. 5-56.) Mr. MacDonald stated that the devices will be handheld devices and tablets, though the specific devices have not been chosen. He stated that the equipment will not be provided to specific people, but can be signed out for a specific project. The cost will cover the devices and software licenses. Mr. Reilly asked if this is well-established technology. Mr. MacDonald stated that it has been used for over 10 years. Mr. Zimbone noted that the request indicates that the operating budget will have to be increased. Ms. Lustig stated that in FY16 the budget was not increased because there was savings in the cost of cell phone plans which offset the increase.

### **Public Facilities- Construction**

Mr. Zimbone stated that there was no change in expenses for the Construction budget and that there was a Salary and Wage increase of 3.3%. He stated that some salary costs will be charged to projects. Mr. Davison stated that the full salaries must be included in the budget, and any amount that is not used can go back to free cash. Mr. Reilly stated that the actual expenditures for salary and wages were close to \$320K for FY13 and FY14 and asked if they expected the same for this year. Mr. Davison stated that there are very specific requirements for what can be charged to a project, so they can't be sure. He noted that the numbers for actual expenditures represent costs not charged to any projects.

### **High School Update**

Mr. Zimbone asked for an update about the High School feasibility study. Mr. Popper stated that they have finalized the contract with the consultant DRA. There are weekly meetings with a working group assembled by the High School to act as a steering group. They are looking at enrollment and programming to determine the amount of space needed and how many classrooms. The intent is to finish this phase by February, and to create detailed schematic designs to determine cost estimates in time for the May Town Meeting.

### **Solar Project**

Mr. Zimbone stated that the FY16 energy budget does not include any benefits of the solar project. He stated that Mr. Haff has provided a conservative estimate of mid-December 2015 to mid-2016 of when the solar facility will be operating. Mr. Zimbone stated that the Committee may want to consider this in the budget planning process. Mr. Haff stated that the solar development company thinks they can be operational by June or July, but he thinks more conservatively that it will be by the end of the year. He noted that they need to begin making lease payments once construction begins, so they have incentive to move forward quickly from that point. He stated that the tax benefits are structured into the PILOT agreement. The net metering will vary from month to month, but there is a guaranteed minimum which will be around \$400K per year. Mr. Zimbone asked if there has been an approved allocation of net metering benefits. Mr. Haff stated that will be determined within the next month but there is still much capacity available. Mr. Zimbone stated that none of the benefits of the solar program have

been factored into the budget. He stated that Mr. Haff should talk about it with the Town Manager and the Finance Director and that the savings should not necessarily all go into free cash.

Ms. Zappala stated that the construction of solar arrays can happen fairly quickly as long as the panels are available. She stated that if the arrays are not up and running within the summer months of June through September, the company will miss a lot of revenue. She stated that a 90-day implementation is not out of the norm. She stated that there is incentive for the developer to get the project done. Mr. Haff stated that the Planning Board permit will be perfunctory. He stated that there is a DEP review, and if they require secondary drainage because of the cap, then that could add time. He agreed that there is incentive to hit the early dates, but that he has not seen a schedule. He stated that they have all the permits but building and electrical. Mr. Popper noted that there have been many delays so far. Ms. Zappala stated that once the lease payments start and once they borrow for purchasing the panels, there will be greater incentive to finish. She stated that delays now are not hurting them. Mr. Haff stated that he has asked for payment for special counsel, and he thinks they will get serious.

### **Public Facilities - Operations**

Mr. Zimbone stated that the FY16 Operations budget contains the standard salary increases across town. There is an 11.1% increase in expenses due to two drivers: energy expenses and repairs and maintenance. There are also two DSR4 requests. Mr. Zimbone stated that the department will need a reserve fund transfer in FY15 to cover increased energy costs. The primary driver is the increase in natural gas prices. Mr. Zimbone asked about the service fees that are added to the FY16 budget. Ms. Maloney stated that when determining the budget, the department has always used the usage from energy bills, but not added the service fee which a constant fee on each month's bill for having the utility in place. She added it to the FY16 budget. She stated that it added up to almost \$20,000 for the year.

Mr. Zimbone stated that energy usage at the newly acquired Chestnut St. building will need to be accounted for. He stated that costs at the Newman School also need to be increased because the budget was cut for FY15 year and is not sufficient. He stated that there have been increasing fuel costs over the years, but because of changes in fuel and energy savings measures, the energy budget has been relatively flat. There has been a recent increase in natural gas prices because of the difficulty of getting the gas into New England, and that will be the case for a couple of years, but then the prices will decrease. Ms. Maloney stated that to determine the shortfall for FY15, she made a projection using from January-June data from last year and applied the new gas rate. She stated that it looks like they will be about \$200K in the red. Ms. Zappala asked if the prices were locked in. Mr. Davison stated that most are estimates from August and September. He stated that the natural gas estimate did have to be increased, and is locked in for one year. He stated that the base electricity cost and the service fee are valid through December 2017.

Mr. Zimbone stated that the Repairs and Maintenance line is increasing by \$152K from the FY15 budget to the FY16 requested budget. He stated that the primary increases are \$70K for repairs to security doors in school buildings, \$31.5K for elevator maintenance, \$32K for electrical repairs and \$16.5 for HVAC maintenance. Mr. Reilly stated that the FY16 request is similar to the actuals for FY13 and FY14, and that the FY15 budget is an outlier. Mr. Laffey stated that \$485K has been budgeted each year, but the department has needed over \$600K. He stated that

the FY15 budget is low again, so the department will need additional funds. The budget has been flat for years. Ms. Miller stated that the elevator maintenance costs are high. Ms. Maloney stated that is due to the software costs. Mr. Popper stated that the vendors use their own software. Ms. Miller stated that the Town could procure different software, which would increase the construction costs but lower maintenance costs. She stated that the short term costs would be higher, but that it would be less costly in the long run.

Mr. Zimbone stated that there is a DSR4 request for a full time custodian for the Senior Center and Emery Grover Building. He stated that the additional cost would be offset by a reduction in overtime costs, since the Emery Grover building has been maintained on an overtime basis. Mr. Zimbone stated that there is a second DSR4 request for professional consulting services to provide the Town with assurances that it is getting the full benefits of the solar arrays. Mr. Haff stated that the consultant will ensure that the net metering benefits are being provided. The consultant would reconcile the monthly invoices and the credits. Mr. Haff stated that it is complicated, and the consultant would setup the infrastructure to determine what is going on. Ms. Zappala stated that \$31K sounds like a lot. She stated that the hardest part is getting the information from NStar. She stated that there should be reports from the developer. Mr. Connelly asked if it would be good to have an audit upfront. Mr. Haff stated that has been suggested, since the invoices are complicated. Mr. Reilly stated that having an experienced person could be useful and asked if it would be better to have that knowledge in-house. Mr. Haff stated that he asked for that assistance last year and did not get it. Ms. Miller stated that there is a state contract for people who provide this exact service.

Mr. Zimbone stated the budget write-up shows that 65-70% of maintenance needs are in school buildings. Mr. Reilly stated that Pollard and High School have the highest number of work orders. Mr. Laffey stated that the High School has the most square footage, and Pollard is caused by adolescents. Mr. Zimbone stated that the performance factors are increasing. Mr. Creem asked why the maintenance costs are high at some of the new buildings. Mr. Laffey stated that the new buildings are very energy efficient, but the technology in the systems is more advanced than expected. Mr. Reilly asked about the different custodial fees. Ms. Maloney stated that there is a new fee system. There are the fees for the space and custodial fees. The custodial fees go into a revolving fund that is used to pay the custodians. The fees are determined by the Board of Selectmen. Mr. Laffey stated that there is a requirement that only nonprofit users can use the Town facilities, but they have not always received proof. He stated that next year they will not allow anyone to rent the space without providing the information.

Mr. Zimbone stated that Public Facilities maintenance will be funded through a warrant article. Mr. Davison stated that it will no longer be in the cash capital article, since the maintenance program is not a capital expense. This will allow for work to be done that crosses fiscal years. Since many of the buildings are school buildings, many projects are done from June-August. Mr. Zimbone stated that the department does a great job.

## **Finance Department**

Mr. Flinton introduced the budget and described the increases and changes. He stated that with retirements, there has been some restructuring. He stated that there are increasing demands on IT with increasing numbers of users and equipment, but the addition of the Applications Administrator is helping. He stated that IT has usual business hours, but there is work needed

after hours. He stated that the Treasurer's office now can collect excise taxes online, and moving toward electronic bills.

Mr. Davison stated that his department has the highest number of ITWA employees. He noted that \$30,000 was moved into the budget to cover the increases from the collective bargaining agreement. He stated that the retirement from one position allowed for a reconfiguration by IT. The position now splits time between two functions, and the skill sets are working well with both needs. There is the same headcount, but some savings because it is a lower paid position. Mr. Davison also stated that there was a retirement in the Assessor's office. Two current positions were upgraded and one position was eliminated. Some clerical work is handled by a part-time person. One individual in the Treasurer's office was upgraded from part time to full time with benefits. He stated that there has been a level dollar budget for equipment capital for 6 years, but lower cost devices have increased repairs and replacements.

Ms. Poness stated that she is very excited that the Treasurer/Collector's office now accepts credit cards for some payments, and that they are working to roll out excise tax payments online. She stated that the difficult questions for her are investments, debt service, and borrowing.

Ms. Vaillancourt stated that the Accounting office is now fully staffed. They are completely rolling out the new software. She expects to be able to be more proactive doing audits. She stated that they had fallen behind when the department was understaffed and they were focused on implementing the new software.

Mr. Davis stated that with the restructuring, the Assessor's office has a 7% decrease in payroll expenses. The other major budget change is an increase in the Professional and Technical line for a consultant for personal property tax assessments. He stated with \$30-\$32 million of new growth each year, they have made good use of the consulting funds. He stated that they budget approximately \$50K in a revaluation year, and \$15K when that work can be done in house. He stated that the funding is also used for outside attorneys for potential litigation. He stated that they use consultants to negotiate to try to avoid litigation.

Mr. MacDonald stated that the IT office had an employee retire and changed the technician position to a technical support person who can take some work from others. The office handles all the IT across Town. A contractor had supported the IT at the Senior Center, but with the new person, they can handle that work in-house. The next challenge will be the public safety project transitioning the system and training staff. However, better security is needed. Another challenge faced by the office will be the addition of new mobile devices.

Ms. Swanson stated that the purchasing department has been working with others around town to ensure compliance with procurement laws and regulations. She stated she wants to get the Town's procurement process more in line with the state process. She stated that she is also trying to make people think more about risk management.

Mr. Reilly asked about the past need for double licenses for software during the transition. Mr. Davison stated that the budget was adjusted in FY15 to reflect fewer licenses. Mr. Reilly asked how the risk of online payments was being managed. Ms. Poness stated that the Town does not receive or maintain any credit card information. It is all held by an outside company. She stated that she makes bank transfers over the phone so that her computer cannot be hacked and

keystrokes followed. Mr. Reilly asked if the Technology Advisory Committee has looked into security. Mr. Davison stated that they have met with the Committee. Mr. MacDonald stated that the department does with best with what they have, firewalls and gatekeeping software, but it is always possible to be hacked. Mr. Davison stated that the Towns do not keep identifying information about tax payers that is not public record. He stated that there is not as much vulnerability as at large corporations.

Mr. Reilly stated that the comparative investment returns information looks almost too good in that it was significantly ahead of the MMDT rate. He asked if this was due to taking on additional risk. Ms. Poness stated that Mr. Davison had raised the same issue with her. She stated that she moved the money to savings banks because additional collateralization was not needed, and the rates were at a peak. Mr. Davison stated that, in addition, there were large balances at the time in June. He stated that this appeared to be a one-time favorable timing phenomenon and that he doubted that it could be done again without a continuing condition.

### **Finance Committee Updates**

Mr. Zimbone stated that the School Department has indicated to the School Committee that it needs a 5.8% budget increase instead of the requested 5.37% increase for FY16. At a School Committee meeting, Mr. Zimbone was asked what the Finance Committee would think. He said that he thought that the Town Manager would not differ much from the Pro Forma, and that the Finance Committee would not be looking to increase the School Department budget above the 5.37%. He said that he offered suggestions to decrease the budget request. He said that some School Committee members stated that the additional teacher at the High School was needed, and others said that they needed to hold the line.

For next week's School Department budget review, Ms. Zappala asked that the liaisons focus on a few important items. Mr. Zimbone stated that the focus will be on SPED because the costs are skyrocketing. He stated that the budget has \$600K for pending placements, though rarely do all of those students get placed in programs. He stated that last year, the Finance Committee took out the tuition contingency and the School Department will need to come for a reserve fund transfer. Ms. Miller asked about the school transportation budget. Mr. Zimbone stated that he suggested increasing the bus fee to free up funds for money for other operations, but the School Committee members have said that they cannot increase the fee.

### **Adjourn**

MOVED: By Ms. Zappala that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0 at approximately 10:15 p.m.

Documents: Town of Needham FY2016 Departmental Spending Requests, dated December 10, 2014; Town of Needham Capital Improvement Plan FyY2016 – FY2020; Legal Department – General Expenses spreadsheet; List of vehicles on replacement schedule dated 01/14/2015; Printout of emails re: Needham Solar I between Richard Zimbone, Hank Haff and Stephanie Malone dated January 8 -14, 2015; Town of Needham Solar Photovoltaic Project Update to Board of Selectmen December 16, 2014; Explanation of Increase in Repairs and Maintenance

Request (Public Facilities); Chart 1 (Energy FY15 budget and FY16 request); FY16 Budget  
Context: Updated Information, New Costs Summarized (School Department.)

Respectfully submitted,

Louise Mizgerd  
Executive Secretary/Staff Analyst

*Approved January 28, 2015*